



# **INTERNAL AUDIT AUDIT FINDINGS FOLLOW-UP ANNUAL REPORT**

October 1, 2001

Roanoke City Council Audit Committee  
Roanoke, Virginia

We have completed our follow-up of management's planned actions to previously issued reportable conditions. The Audit Findings Follow-up was conducted in accordance with government auditing standards.

## **BACKGROUND**

At the conclusion of each audit assignment, we work with management to develop plans of action to address reportable conditions such as significant control weaknesses, non-compliance with policies and procedures, and violations of laws and regulations. We are required by government auditing standards to follow-up on all significant findings to determine if issues were appropriately addressed as agreed to when the original audit was concluded. To satisfy this requirement, we maintain a database of audit findings reported to the Audit Committee that includes management's planned actions and the target date for implementing those plans. In May of each year, we re-print all findings due to be implemented on or before June 30 and verify their status with management.

## **PURPOSE**

To report to the Audit Committee the status of any unimplemented management plans.

## **SCOPE**

There were twelve departments that had outstanding audit findings due to be addressed by June 30, 2001 or earlier. We verified the status of the implementation of management's plans as of August 31, 2001.

## **METHODOLOGY**

Prior to fiscal year-end, we send notices to management asking for a status report on the implementation of their plans related to outstanding audit findings. Management responds as to whether or not they have implemented those plans. If management has implemented their plans, we visit the department to verify implementation. If management has not implemented their plans, we request that they provide us with a new target date and any anticipated changes to their plans.

## **RESULTS**

We noted that six departments have implemented the agreed upon plans that were due to be implemented by June 30, 2001.

- Finance has addressed issues regarding the timeliness of issuing fixed asset tags.
- The Office of Management and Budget has addressed issues regarding records management training and compliance.
- The Sheriff's department has addressed issues related to managing canteen fund records and remitting unclaimed property to the State.
- The Engineering department has addressed issues regarding change order approvals.
- The Building Inspections department, now part of Planning and Building Services, has implemented a new permitting system (Accela) that addresses audit concerns related to monitoring required permits and fee computations.
- The Commissioner of The Revenue's office has worked with the Department of Technology to implement changes in the personal property system to address concerns related to automated assessments and monitoring of manual assessments.

There are six departments that have made significant progress towards implementing their plans, but have some portion of their plans remaining to be implemented. The status of implementation in these departments is summarized below:

### **Purchasing – Fixed Assets**

*Original Finding:* Assets transferred or given over to Purchasing as surplus are not reported to Finance and the asset record is not updated to reflect transfer or retirement.

Purchasing has created a Surplus Property Declaration form for departments to complete when they transfer or surplus an asset. The form is to be submitted to Purchasing by the Department and Purchasing is supposed to forward the form to Finance to ensure asset records are updated. In our review, Purchasing had only one completed declaration form on file and Finance had not received any completed forms during the last year. Administrative Procedure 4.9 requiring departments to complete a declaration form was not adopted until September 17, 2001. We anticipate the form will

be more uniformly utilized in the future ensuring a better record of the movement of assets.

**Civic Center – Concessions**

*Original Finding:* There was no inventory system in place to monitor inventory shrinkage and inventory on hand.

Management had anticipated the Event Management System (EMS) software, which includes a concessions management module, would be installed and operating by July 2001. The installation of the EMS software has taken longer than originally anticipated. Management now expects the inventory data to be loaded into the system by November 1, 2001. Once loaded, the concession management module will provide a perpetual inventory and will be used to ensure inventory is properly accounted for.

**OBC – Miscellaneous Taxes**

*Original Finding:* The Office of Billings and Collections conducts relatively few audits on local business tax accounts. We recommended OBC evaluate the need for a full or part-time position to conduct audits on local business tax returns.

OBC may request an additional full or part-time position in the 2002 budget cycle. At this time they are continuing to audit a limited number of returns using the Tax Compliance Administrator and a student intern.

**Fleet Management – Shop**

*Original Finding:* In 1997 audit, we noted that the shop did not prepare estimates for labor when vehicles were brought in for service. We also noted that mechanic performance was not gauged against industry averages. We assessed that these were process weaknesses that contributed to widely varying charges for similar services and sometimes unreasonably high charges for basic services such as oil changes. Based on this and several other findings, we recommended the shop operations be re-engineered, to include developing standard times for jobs and gauging mechanic performance against industry standards.

Fleet management implemented a bar coding system in December 2000 and procedures requiring mechanics to use the system to record all of their time, including breaks. Management now receives various reports accounting for each mechanic's time. Management states that they review labor reports and identify jobs that appear to have an inordinate amount of labor charged to them. Management compares labor on these jobs to industry standards and asks the mechanics to explain the reason for exceeding standards. The fact that labor estimates are not prepared prior to service and documented on each repair order remains a concern. Estimates would provide the mechanic an appropriate goal on a job-by-job basis and allow management to more readily identify performance problems.

We have scheduled an audit of fleet availability and plan to look at actual repair times exceeding industry standards as a risk factor related to availability. This finding is subject to being cleared based on the results of our testing in this audit.

**Social Services – Comprehensive Services Act (CSA)**

*Original Finding:* The State of Virginia, through the Comprehensive Services Act, requires local agencies to collaborate in the care of at risk youth. In Roanoke, the Roanoke Interagency Council (RIC) was created to foster collaboration among local agencies and address regional needs. In our December 2000 audit, we reported that the RIC had not appointed the required standing committees and was not sufficiently addressing long-term planning and community service needs.

We reviewed the minutes of all RIC meetings held since the audit was reported and found the RIC was operating more effectively. Standing committees were discussed and plans were made to appoint members, however the appointments were never formally made. The RIC has now approved committee appointments in its most recent meeting (September 12, 2001). We are holding this finding open for another year to allow time for these standing committees to meet and allow us the opportunity to review the results of these meetings.

*Original Finding:* In our December 2000 audit, we reported that the State requires localities to have a utilization management program that is data driven and focused on quality care and controlling costs. Roanoke had not established a utilization management program and did not have a means of accumulating and evaluating information on costs and quality of care.

Social Services is currently negotiating with Harmony Information Systems, Incorporated to purchase software that will capture case management data and provide a means to develop a utilization management program. Social Services anticipates that the system will be in place and operational sometime in calendar year 2002.

*Original Finding:* In December 2000, we noted that case management data only existed in hand written form, making it difficult to share with others and impossible to effectively analyze quality of care or costs across the population of cases.

Social Services expects the Harmony software to allow case management data to be maintained electronically, reducing time required for paperwork and allowing meaningful analysis of case management data. As noted above, the Harmony software is expected to be operational sometime in calendar year 2002.

**Parks and Recreation – Part-time Payroll**

*Original Finding:* In a 1995 audit and a 1999 audit of part-time payroll, we noted a number of control concerns related to managing work schedules and documenting work performed by part-time employees. Management has met with our staff a number of times over the last year to address findings. During these meetings, we concluded that the complexity involved in their part-time payroll coding was contributing to employees' mistakes on time sheets.

Management is currently working on new time sheets and revising pay codes in the part-time payroll system. Management anticipates completing these changes by the end of September 2001. At that time, they will complete revisions to their policy and

procedures manual. We have scheduled an audit of part-time payroll for 2002 and will reassess the system of controls at that time.

We would like to thank the management and staffs of all the departments involved for their cooperation in completing this review.

---

Evelyn W. Powers, CPS  
Administrative Assistant

---

Drew Harmon, CPA, CIA  
Acting Municipal Auditor

---

Pamela C. Mosdell  
Senior Auditor

---

Michael J. Tuck  
Senior Auditor

---

Brian M. Garber  
Auditor